

1.0 PURPOSE OF AND NEED FOR ACTION

1.1 INTRODUCTION

Hudson Group, LLC (Hudson) has notified the Rawlins Field Office (RFO), Bureau of Land Management (BLM) of their proposal for a coalbed natural gas (CBNG) pilot project within the proposed Scotty Lake CBNG Exploratory Unit located within the administrative boundaries of both the Rawlins and Lander Field Offices, BLM. The proposed pilot project would encompass approximately 2,880 acres of federal surface and mineral estate within the Scotty Lake CBNG Exploratory Unit in Sweetwater County, Wyoming (see Figure #1.1) and would involve the drilling of up to eighteen CBNG wells in three phases over a period of three years.

These wells would be drilled to test the potential of coals within the Fort Union Formation for commercial natural gas production at depths of up to 5,000 feet. Information gathered from the drilling of these pilot wells would ultimately be used to determine if additional CBNG exploration and development is warranted within the Scotty Lake CBNG Exploratory Unit. National mineral leasing policies and the regulations by which they are enforced recognize the statutory right of lease holders to explore for and develop federal mineral resources in order to meet continuing national needs and economic demands as long as undue and unnecessary environmental degradation is not incurred.

There are currently three producing CBNG wells in the project area consisting of previously abandoned well bores which were re-entered by Hudson in 2002 and successfully completed in the Fort Union Formation. Additional exploration proposed in conjunction with the Scotty Lake CBNG Pilot Project would generally consist of the following component activities:

- ∄ construction of up to 18 additional well locations within the Scotty Lake CBNG Exploratory Unit;
- ∄ construction of approximately 26,579 feet (5.03 miles) of access road necessary to provide access to the pilot well locations proposed by Hudson;
- ∄ installation of approximately 43,342 feet (8.21 miles) of buried natural gas and 22,597 feet (4.27 miles) of buried produced water pipelines for the gathering and transportation of gas and water produced from wells within the project area to sales (gas) and disposal (water) facilities;
- ∄ installation of processing and production facilities, and the routine operation/maintenance of commercially productive wells within the field;
- ∄ expansion of existing water disposal facilities to facilitate the surface discharge of water produced from the pilot wells under pre-existing National Pollutant Discharge Elimination System (NPDES) permits issued by the Wyoming Department of Environmental Quality (WDEQ); and

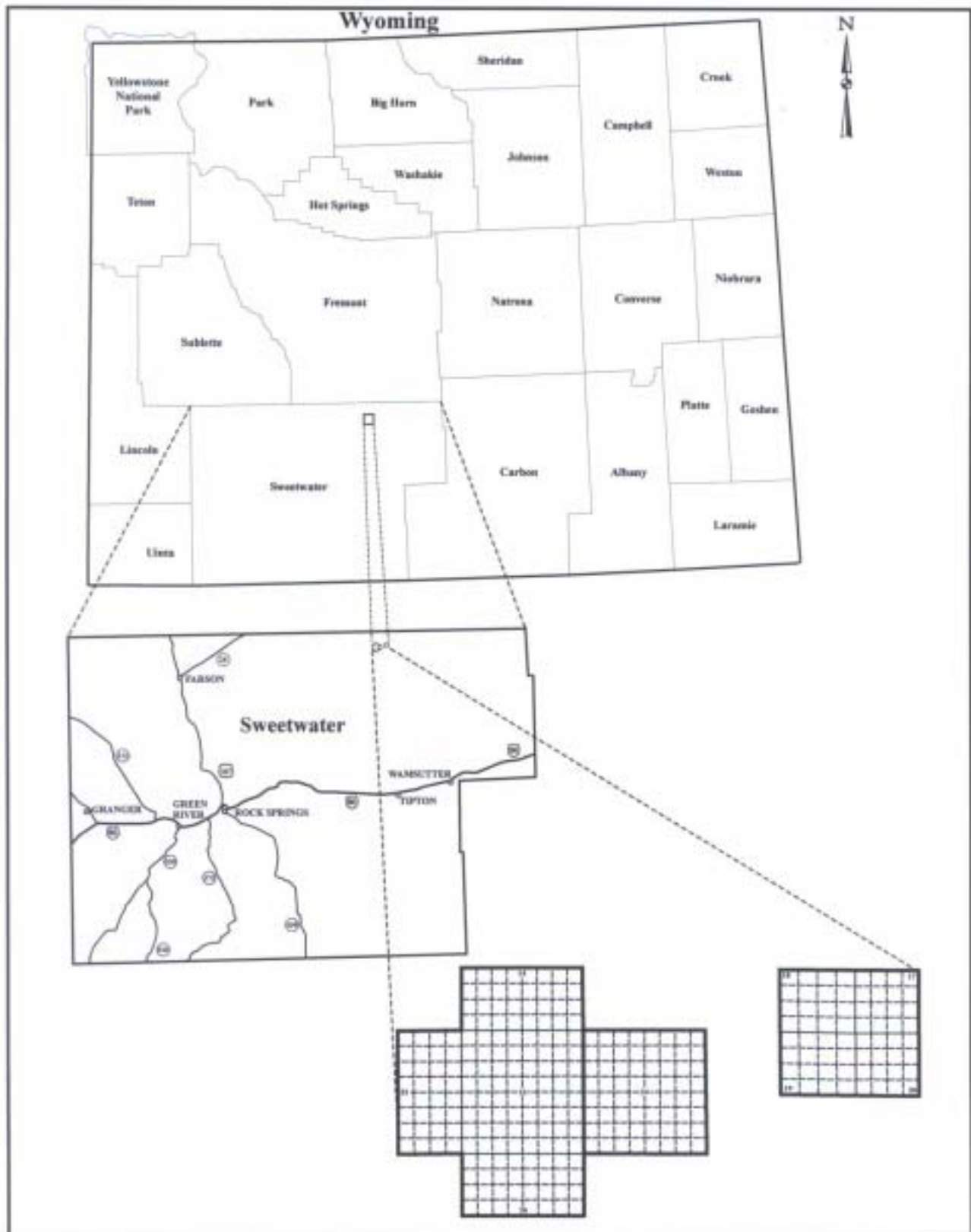


Figure 1.1: General Vicinity Map

- ∉ abandonment and reclamation of individual well locations and associated facilities as wells are determined to be commercially non-productive.

These activities are hereafter referred to as the Proposed Action. Those lands potentially affected by implementation of the proposed action are defined as the “project area” and the boundaries of this project area are shown on Figure 1.2.

Through interdisciplinary analysis and review, consideration of reasonable alternatives, and public participation, this EA will serve as a vehicle for:

- ∉ determining the significance of environmental impacts associated with the Proposed Action and alternatives;
- ∉ assisting in the decision-making process;
- ∉ deciding whether an Environmental Impact Statement (EIS) is necessary; and,
- ∉ identifying and developing appropriate mitigation measures to minimize the environmental impacts of the Proposed Action and alternatives.

1.2 PURPOSE AND NEED FOR THE PROPOSED ACTION

The development of federal oil and gas leases is an integral part of the BLM oil and gas leasing program under the authority of the *Mineral Leasing Act* (MLA) of 1920 as amended (30 U.S.C. 181, *et seq*), the *Federal Land Policy and Management Act* (FLPMA) of 1976 (P.L. 94-579), the *Federal Onshore Oil and Gas Royalty Management Act* (FOOGRMA) of 1982 (30 U.S.C. 1701, *et seq*), and the *Federal Onshore Oil and Gas Leasing Reform Act* (FOOGLRA) of 1987 (43 CFR Part 3100). The BLM’s oil and gas leasing program is intended to encourage the development of domestic oil and gas reserves, thereby reducing national dependence upon foreign energy supplies. Furthermore, exploration and production of natural gas, including methane gas from coal-bearing formations, is in accordance with the President’s National Energy Policy as outlined in Executive Order (EO) 13212.

1.3 CONFORMANCE WITH EXISTING LAND MANAGEMENT PLANS

The Scotty Lake Coalbed Natural Gas Pilot Project (SLPP), as proposed by Hudson, would be consistent with management direction contained in:

- ∉ the Record of Decision (ROD) for BLM’s Great Divide Resource Area *Resource Management Plan* dated November 8, 1990 (BLM 1990); and
- ∉ the Record of Decision (ROD) for BLM’s Lander Resource Area *Resource Management Plan* dated June 6, 1987 (BLM 1987).

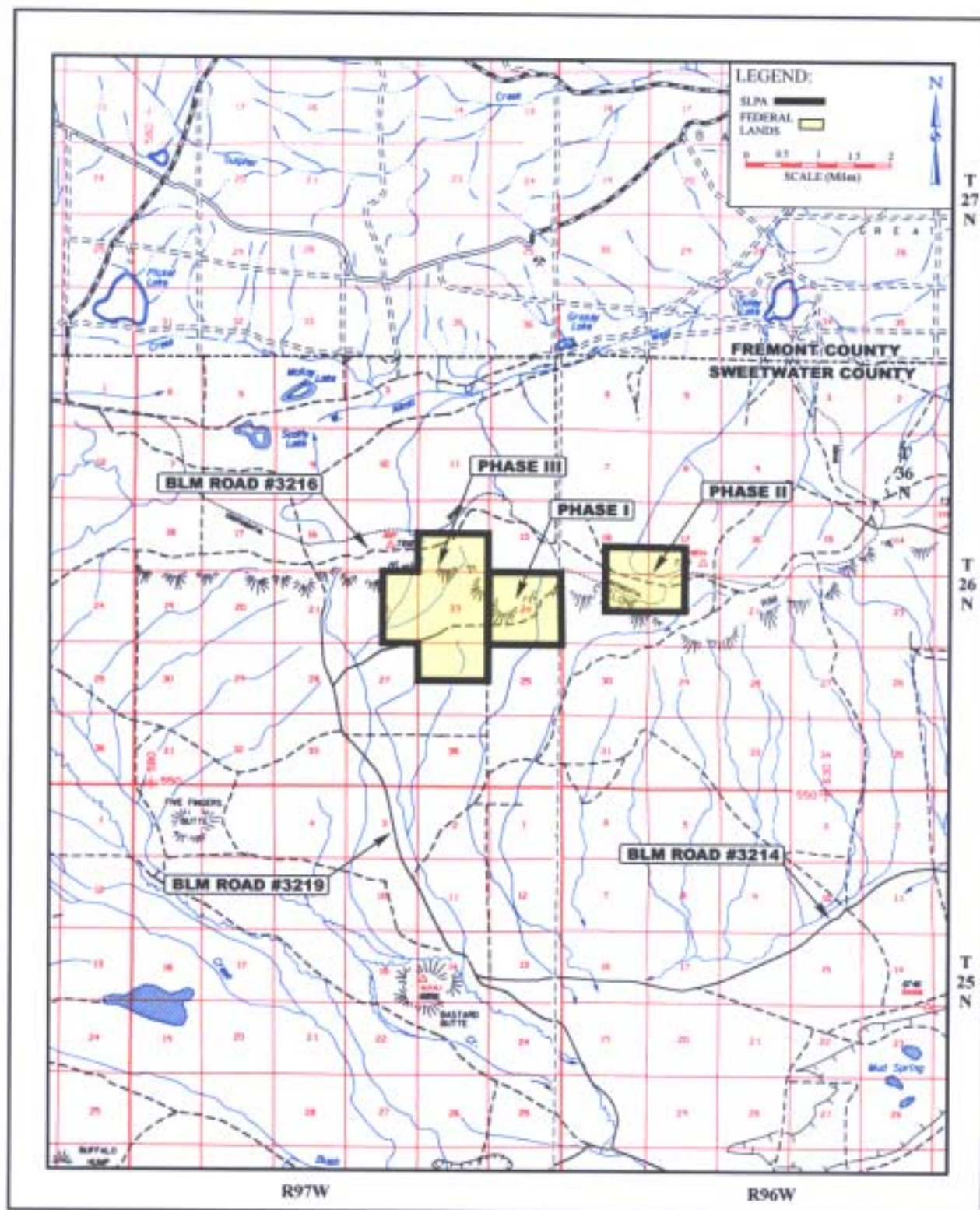


Figure 1.2: Small Scale Map Showing the Proposed Scotty Lake CBNG Pilot Project Area

Furthermore, all operations proposed by Hudson would be conducted in full compliance with the terms and conditions of the federal leases involved in the Proposed Action or project alternatives, applicable Onshore Oil and Gas Orders, 43 CFR Part 2800 regarding right-of-way grants, and also with oil and gas leasing regulations as contained in 43 CFR Part 3100, specifically with subpart 3162 concerning Requirements for Operating Rights, Owners and Operators.

1.4 AUTHORIZING ACTIONS AND RELATIONSHIP TO STATUTES AND REGULATIONS, OR OTHER PLANS

The proposed project is in conformance with the State of Wyoming Land Use Plan (Wyoming State Land Commission 1979) and would comply with all relevant federal, state, and local laws and regulations. Please refer to Appendix A for a discussion of primary federal, state, and local permitting requirements.

The development of this project would not affect the achievement of the Wyoming Standards for Healthy Rangelands (August 1997).

1.5 LAND AND RESOURCE MANAGEMENT ISSUES AND CONCERNS

In accordance with NEPA and the CEQ regulations contained in 40 CFR 1501.7, an open process has been employed for the determination and scope of issues to be addressed in this environmental document. In compliance with this procedural requirement, the RFO released a scoping notice on March 17, 2004 in order to identify the significant issues related to the SLCBNGPP proposal. Ten comment letters were received in response to project scoping which led to the identification of the following land and resource management issues and concerns potentially associated with the Proposed Action:

- ∄ Acquisition of appropriate permits
- ∄ Conformance with LUP
- ∄ Control of invasive, non-native species (weeds)
- ∄ Cumulative impacts
- ∄ Effects of erosion and sedimentation
- ∄ Geologic Hazards (earthquakes)
- ∄ Habitat fragmentation
- ∄ Impacts to air quality
- ∄ Impacts to aquifer being produced including water quality and recharge of aquifer
- ∄ Impacts of fences and roads on migratory antelope herd
- ∄ Impacts to greater sage grouse
- ∄ Impacts to livestock grazing operations
- ∄ Impacts to migratory birds and compliance with the Migratory Bird Treaty Act
- ∄ Impacts of noise
- ∄ Impacts to social/economic values
- ∄ Impacts to soils from construction of roads, well pads and buried pipelines
- ∄ Impacts of surface discharge on soils and surface water quality
- ∄ Impacts on wetlands and riparian areas

- ∄ Potential for impacts to biological soil crusts
- ∄ Potential for depletion of Colorado and/or Platte River water
- ∄ Potential effects on small and big game species
- ∄ Potential for migration of methane
- ∄ Potential for underground (coal seam) fires
- ∄ Protection of special status wildlife and plant species including endangered, threatened, candidate, proposed and BLM sensitive species
- ∄ Reclamation
- ∄ Risk from earthquakes
- ∄ Risk to ground water from hydraulic fracturing
- ∄ Use of alternative technologies, including directional drilling
- ∄ Use of hazardous/toxic materials in drilling/completion operations

Certain issues identified in conjunction with project scoping were determined not to be “significant issues related to the Proposed Action” (40 CFR 1501.7) because they are not potentially affected or impacted by the proposal. Those issues brought forth during public scoping that are not considered in depth in this document and the reasons for eliminating that particular issue from consideration in this analysis are enumerated in Appendix B.